

Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 IO-10 ISO-00 GSA-01 INT-05 SP-02 AID-05

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FM AMEMBASSY VIENNA

TO SECSTATE WASHDC PRIORITY 5566

INFO AMEMBASSY BONN

AMEMBASSY ROME

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SUBJECT: STEEL MARKET CONDITIONS

REF: STATE 095936

1. AFTER RECORD PRODUCTION IN 1974, AUSTRIA'S STEEL INDUSTRY IS OPERATING BELOW CAPACITY LEVELS AT PRESENT. OFFICIAL INFORMATION AS TO WHAT EXTEND AVAILABLE CAPACITIES ARE PRESENTLY BEING USED IS NOT MADE AVAILABLE. USUALLY WELL INFORMED SOURCES ASSUME THAT PRESENT CAPACITY UTILIZATION RANGES BETWEEN 60 AND 70 PERCENT FOR COMMERCIAL STEELS, AND BETWEEN 75 AND 80 PERCENT FOR SPECIALTY STEELS.

2. VOLUME OF ORDERS ON HAND FOR COMMERCIAL STEELS ENSURES USE OF REDUCED CAPACITIES NOTED ABOVE FOR TWO TO THREE MONTHS ONLY. SPECIALTY STEEL PRODUCERS ARE BETTER OFF IN

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THAT ORDERS ARE ADEQUATE TO UTILIZE PRESENT CAPACITIES

NOTED ABOVE FOR ABOUT 4 TO 5 MONTHS. FINISHING DEPARTMENTS OF BOTH SECTORS WILL BE ABLE TO OPERATE AT FULL CAPACITY LEVELS FOR 6 TO 12 MONTHS.

3. VOEST-ALPHINE HAS PARTLY ADAPTED ITS PRODUCTION IN STALLURGICAL PLANTS TO PREVAILING SITUATION BY RECENTLY SHUTTING-DOWN A NUMBER OF ANTIQUATED OPEN-HEARTH STEEL-MAKING FACILITIES IN THE DONAWITZ PLANT AHEAD OF SCHEDULE. IN LINZ PLANT, ONE OF THE FIVE BLAST FURNACES REPORTEDLY WAS TAKEN OUT OF OPERATION.

4. MAJOR GOAL OF COUNTRY'S NATIONALIZED STEEL INDUSTRY, WHICH HOPES THAT PRESENT SITUATION WILL START TO IMPROVE BY THE END OF CURRENT YEAR, IS TO PASS LOW OF BUSINESS CYCLE WITHOUT HARSHIPS TO LABOR FORCE. PART-TIME WORK IS NOT PLANNED AT PRESENT; PLANS CALL FOR ARRANGING LEAVES OF TWO WEEKS IN JULY OR AUGUST SO THAT A NUMBER OF PRODUCTION FACILITIES CAN BE CLOSED ENTIRELY IN THOSE PERIODS. IN MEANTIME, WORKERS ARE REQUESTED TO TAKE A FEW DAYS OFF MONTHS OF MAY AND JUNE. PRESENTLY, NATIONAL STEEL INDUSTRY IS NOT HIRING ANY NEW PERSONNEL, OR APPROVING OVERTIME WORK.

5. UNOFFICIAL PRODUCTION PROJECTIONS PLACE THIS YEAR'S OUTPUT AT ABOUT 4,300,000 M.T. OF CRUDE STEEL AND 3,100,000 M.T. OF ROLLING MILL PRODUCTS: THIS WOULD BE SLIGHTLY ABOVE RESULTS OF 1973 BUT CONSIDERABLY BELOW RECORD 1974 LEVELS. ANY PERCENTAGE GAIN OVER AND ABOVE THIS PROJECTION IN DIRECTION OF RECORD OF 1974 WOULD BE CONSIDERED A SPECIAL SUCCESS.

6. DOMESTIC CONSUMPTION OF ROLLING MILL PRODUCTS IN 1975 MAY COME CLOSE TO 1974 LEVELS, TENTATIVELY ESTIMATED ON BASIS OF IMPORTS AND DOMESTIC DELIVERIES AT ABOUT 2,500,000 METRIC TONS. PRESENT DOMESTIC IS LARGE覆Y COVERED FROM TRADERS STOCKS, WHICH IN 1974 WERE BUILT UP IN VIEW OF ANTICIPATED PRICE INCREASES. QUALITIES NOT AVAILABLE FROM STOCKS ARE PROCURED FROM THAT SOURCE WHICH OFFERS SHORTEST DELIVERY PERIOD AND MOST ADVANTAGEOUS PRICE. INDUSTRY REPRESENTATIVES FEAR LIMITED OFFICIAL USE

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THAT PART OF DOMESTIC MARKET MIGHT BE LOST TO EAST-EUROPEAN SUPPLIERS WHOSE PRODUCTS BECAME FULLY LIBERALIZED AS OF JANUARY 1, 1975 AND PRESENTLY ARE REPORTEDLY SELLING BELOW DOMESTIC MARKET PRICES.

7. AUSTRIAN SPECIALTY STEEL PRODUCERS, WHO EXPORT BETWEEN 75 AND 83 PERCENT OF THEIR OUTPUT, ARE ESPECIALLY WORRIED ABOUT BUSINES SLOWDOWN AND REPORT THAT PRICES ON EXPORT

MARKETS HAVE REACHED AN ALL TIME LOW. BECAUSE OF THE
STILL DECLINING DEMAND, HEAVY PRICE COMPETITION AMONG
STEEL SUPPLIERS AND DISADVANTAGEOUS EXCHANGE RATES,
EXPORTING REPORTEDLY HAS BECOME EXTREMELY DIFFICULT.

8. IN VIEW OF LARGE DEPENDENCE OF AUSTRIAN SPECIALTY
STEEL PRODUCERS ON FOREIGN MARKETS, DOMESTIC PRODUCERS
WILL PROBABLY TRY TO MAINTAIN EXPORTS TO THE U.S. AND
OTHER COUNTRIES AT LEVELS AS HIGH AS POSSIBLE. BUCHANAN

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